

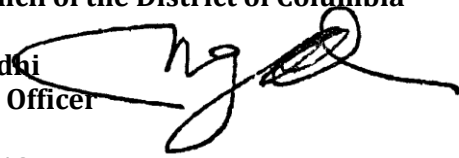
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Philip H. Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: October 23, 2012

SUBJECT: Fiscal Impact Statement – “Energy Innovation and Savings Amendment Act of 2012”

REFERENCE: Bill 19-749, Draft Committee Print shared with the Office of Revenue Analysis on October 12, 2012

Conclusion

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the proposed bill.

One provision of the bill will have a negative revenue impact outside of the financial plan period. Specifically, the bill exempts equipment related to cogeneration systems from personal property taxes starting FY 2017. This provision is estimated to reduce revenues by approximately \$1.37 million annually starting the same year.

Background

The bill amends existing law to make changes to the way certain energy related technologies are treated. First, the bill defines electric vehicles and clarifies¹ that electric automobile charging stations are not considered public utilities.

Second, the bill exempts² solar energy systems from personal property taxation. The bill directs an annual transfer of \$120,000 from the Renewable Energy Development Fund to the unrestricted portion of the local General Fund to account for this revenue loss.

Third, the bill exempts cogeneration systems that produce both electric energy and steam or heat from the personal property tax starting FY 2017.³

¹ 37 Stat. 974; D.C. Official Code § 34-201, *passim*; and 50 Stat. 679; D.C. Official Code § 50-1501.01 *et seq.*

² D.C. Official Code § 47-1508.

Fourth, the bill requires commercial properties to keep their exterior doors and windows closed when an air conditioner cools the adjacent area. District Department of the Environment (DDOE) would be responsible for enforcing this requirement, and can fine commercial properties for propping open exterior doors and windows while operating air conditioning systems. The fines would be Class 4 infractions as defined in the Municipal Regulations⁴ and would be \$100 for a first offense, \$200 for a second offense, \$400 for a third offense and \$800 for all subsequent offenses. Small shops (4,000 square feet or less), hotels and restaurants are not subject to fines.

Financial Plan Impact

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the proposed legislation.

The personal property tax exemption for solar energy systems is projected to reduce revenues by approximately \$120,000 annually starting in FY 2013.⁵ This reduction in local fund revenue is offset by a transfer of the same amount from the Renewable Energy Development Fund, which has sufficient funds to support this transfer.

There are approximately 4,000 commercial properties in the District that would be subject to the new requirement that they keep their doors and windows closed during summer months. DDOE confirmed that it can enforce this requirement with its existing resources. The agency is planning to conduct an education campaign to notify liable commercial property owners of this new law. The Office of Revenue Analysis does not recognize any revenue from fines from this new program because there is no reliable data showing that commercial properties habitually prop open doors and windows and no reliable data exists showing rate of fine collections from other jurisdictions for similar laws.

Finally, the personal property tax exemption for cogeneration energy systems does not have a fiscal impact in the four-year financial plan because this exemption will become effective in FY 2017. However, once in place, the provision is projected to reduce personal property tax collections (hence general fund revenue) by approximately \$1.37 million annually.^{6,7}

³ *Ibid.*

⁴ District of Columbia Municipal Regulations, Title 16, Chapter 32: Schedule of Fines (16 DCMR § 3200 *et seq.*).

⁵ The estimate includes leased solar panels only, and developed based on the OCFO estimates provided for Bill 19-10, Distributed Generation Amendment Act of 2011. The fiscal impact statement for this bill is available at http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FINAL-FIS-B19-10-Distributed-Generation-Amendment-Act-of-2011.pdf

⁶ ¹The estimate assumes that one 250,000 sq ft building per year purchases cogeneration property every two years, and a 3 megawatt plant of approximately \$30 million in equipment costs comes online in FY 2016 and a 1 megawatt plant of approximately \$10 million comes online in FY 2017.

⁷ On July 25, 2012, the District enacted Cogeneration Equipment Personal Property Tax Exemption Emergency Act of 2012, which exempts large cogeneration systems that supply energy for at least one million square feet of space, from personal property taxes, starting FY 2017. The fiscal impact statement for this Bill is available at http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/Cogeneration%20Equipment%20Personal%20Property%20Tax%20Exemption.pdf